

Aditya Birla Finance Limited (ABFL)

POLICY FOR APPOINTMENT OF STATUTORY AUDITORS

Version Control

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1.0	August 4, 2021	Ankur Shah	Initial Version
2.0	August 2, 2022	Ankur Shah	Reviewed with changes
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POLICY FOR APPOINTMENT OF STATUTORY AUDITORS

OBJECTIVE:

The objective of this Policy is to lay down the criteria to be considered by the Audit Committee of the Board (ACB) of Aditya Birla Finance Limited (ABFL /Company) before appointment of Statutory Auditor(s) (SAs).

The Policy is framed pursuant to Reserve Bank of India's ("RBI") circular Ref.No.DoS.CO.ARG/SEC.01/08.91.001/2021-22 dated April 27, 2021 for Appointment of Statutory Central Auditors (SCAs)/Statutory Auditors (SAs) of Commercial Banks (excluding RRBs), UCBs and NBFCs (including HFCs), as may be amended or modified, replaced, or substituted from time to time, read with the FAQs issued on June 11, 2021 ("the RBI Guidelines") for Appointment of Statutory Auditors (SAs) of NBFCs and to the extent applicable to ABCL.

The policy shall be read along with the applicable provisions of Companies Act 2013 and SEBI (Listing Obligations and Disclosure Requirements), 2015 ("SEBI LODR") for appointment of Statutory Auditors (SAs), as applicable.

APPLICABILITY:

This policy is applicable at the time of appointment / re-appointment of SAs and also ascertaining the eligibility criteria for each financial year during their tenure as SAs of the Company.

PROCEDURE FOR APPOINTMENT/ REAPPOINTMENT OF STATUTORY AUDITORS:

- The appointment / re-appointment shall be in compliance with the eligibility requirements of both the Companies Act, 2013 as well as the RBI Guidelines at all times and assessment of Independence of SAs.
- In accordance with RBI Guidelines, in case the asset size of the Company is ₹15,000 crore and above (or such other limit as may be approved by RBI from time to time) as at the end of previous year, the statutory audit should be conducted under joint audit of a minimum of two audit firms.
- In all other cases, a minimum of one audit firm will be appointed for conducting statutory audit.
- The limit on minimum and maximum number of joint auditors will be based on asset size of the Company and other prescribed factors from time to time including in terms of the RBI Guidelines.
- If Joint auditors are to be appointed, then it shall be ensured that joint auditors of the Company do not have any common partners and they are not under the same network of audit firms.
- The Company shall shortlist minimum of two (2) audit firms for every vacancy of SAs as per the RBI guidelines.

- The audit firm should meet the Qualification criteria as an auditor as per Section 141 of the Companies Act, 2013. It should not be under debarment by any Government Agency, National Financial Reporting Authority (NFRA), the Institute of Chartered Accountants of India (ICAI), RBI or Other Financial Regulators.
- The Company shall obtain a certificate on eligibility norms, along with relevant information from the audit firms proposed to be appointed/ re-appointed as SAs under the Companies Act 2013 and RBI Circular and other statutory requirements as applicable.
- Written consent of the auditor to such appointment required as per the Companies Act 2013 will be taken.
- The Company shall place the name of shortlisted audit firms, before the ACB for selection as SAs.

RECOMMENDATION TO BOARD:

- The ACB having satisfied with the above conditions and eligibility criteria and independence shall recommend the appointment of SAs to the Board of Directors for their approval.
- The appointment of SAs shall be approved by the shareholders at the general meeting.
- Upon approval of the SAs by the shareholders at the general meeting, RBI will be informed about the appointment as per the prescribed format within one month of such appointment.
- Relevant disclosure will also be made to the Stock Exchanges under the provisions of SEBI (Listing Obligations and Disclosure Requirements), 2015 ("SEBI LODR") as applicable and relevant disclosure will also be filed with Ministry of Corporate Affairs under Companies Act, 2013.
- The Company shall also execute an appointment letter containing terms and conditions and scope of work with the SAs in the manner approved by ACBs/Board.

PROFESSIONAL STANDARDS OF STATUTORY AUDITORS:

- The SAs shall be strictly guided by the relevant professional standards in discharge of their audit responsibilities with highest diligence.
- ACB shall monitor and assess the independence of the SAs on various parameters including audit of any entity with large exposure to the Company by the SAs and conflict of interest position in terms of relevant regulatory provisions, standards and best practices.
- The ACB shall review the performance of SAs on an annual basis. Any serious lapses/ negligence in audit responsibilities or conduct issues on part of the SAs or any other matter considered as relevant shall be reported to RBI within two months from completion of the annual audit. Such reports should be sent with the approval/recommendation of the ACB, with the full details of the audit firm.

INDEPENDENCE OF AUDITORS:

- The time gap between any non-audit works (services mentioned at Section 144 of Companies Act, 2013, Internal assignments, special assignments, etc.) by the SAs for the Company or any audit/non-audit works for its group entities (as defined under the RBI guidelines) should be at least one year, before or after its appointment as SAs. The look back stipulation of one year shall be applicable from FY 2022-23. Entities for this purpose shall mean “RBI Regulated Entities” in the Group.
- In case of any audit / non audit work with other group entity (non RBI regulated Entities in the Group) being handled by proposed SAs, the Audit Committee of Board shall ensure that there is no conflict of interest and independence of auditors is ensured. The same shall be suitably recorded in the minutes of the meetings of ACB
- During the tenure as SA, an audit firm may provide such services to the Company which may not normally result in a conflict of interest, and the Company shall decide in this regard, in consultation and approval of the ACB.
- A conflict would not normally be created inter alia in the case of the following special assignments (indicative list): (i) Tax audit, tax representation and advice on taxation matters; (ii) Audit of interim financial statements; (iii) Certificates required to be issued by the statutory auditor in compliance with statutory or regulatory requirements; (iv) reporting on financial information or segments thereof.
- The above restrictions would also apply to an audit firm under the same network of audit firms or any other audit firm having common partners.
- If any partner of a Chartered Accountant firm is a director in any Entity, the said firm shall not be appointed as SCA/SA of any of the group entities of that Entity.
- Company shall ensure that appointment of SCAs/SAs is in line with the ICAI’s Code of Ethics/any other such standards adopted and does not give rise to any conflict of interest.

TENURE OF APPOINTMENT:

As per RBI guidelines, Company shall appoint the SAs for a period of three (3) continuous years, subject to the firms satisfying the eligibility norms each year.

An audit firm would not be eligible for reappointment in the Company for six (6) years (i.e. two tenures of three years each) after completion of full or part of one term of the audit tenure.

REMUNERATION TO AUDITORS:

Quantum of Remuneration to auditor(s) shall be at the discretion of the ACB & the Board. Audit fees for SAs shall be in terms of applicable regulatory provisions and shall be reasonable and commensurate with their respective scope and coverage of audit, size and spread of assets, accounting and administrative units, complexity of transactions, level of computerization, identified risks in financial reporting, etc. The remuneration to SAs shall be approved in the annual general meeting of the Company or in such manner as may be determined therein.

COVERAGE OF AUDIT:

SAs shall visit and audit at least the Top 20 branches/Top 20% of the branches of the Company (in case Company is having less than 100 branches), to be selected in order of the level of outstanding advances, in such a manner as to cover a minimum of 15% of total gross advances of the Company.

DISCONTINUATION OF AUDITORS:

Subject to the provisions of the applicable law, including the Companies Act, 2013, Company can remove an audit firm during their tenure with the approval of the shareholders. Company shall inform concerned SSM/RO at RBI about it, along with reasons/justification for the same, within a month of such a decision being taken.

CASUAL VACANCY:

Casual vacancy if any caused due to resignation or for any other reason shall be filled by the Company in accordance with applicable provisions under Companies Act 2013, RBI Circular and SEBI (Listing Obligations and Disclosure Requirements), 2015.

CONFLICT IN POLICY:

In the event of a conflict between this Policy and the extant regulations or laws, the regulations and laws shall prevail.

AMENDMENTS:

Any subsequent amendment/ modification in the Companies Act, RBI Guidelines/ Regulations and/or other applicable laws in this regard shall automatically apply to this policy.

REVIEW OF POLICY:

This Policy shall be reviewed by the Board on a triennial basis or as and when any changes are required in the Policy due to change in applicable law or regulation.

DISCLOSURE OF POLICY:

The Policy will be available on the Company's website.